

# **THE LEONARD LETTER**

*January 18, 2005*

## **QUOTE OF THE WEEK**

*"The spirit of Lincoln still lives; that spirit born of the teachings of the Nazarene, who promised mercy to the merciful, who lifted the lowly, strengthened the weak, ate with publicans, and made the captives free. In the light of this divine example, the doctrines of demagogues shiver in their chaff." Rev. Dr. Martin Luther King, Jr.*

## **UNDER THE DOME**

### **\*\*\*What the News Will Not Tell You About the Budget\*\*\***

Last Monday Governor Schwarzenegger released his 2004-2005 budget. It is the most honest budget presented since before Gray Davis became Governor. There are no phony revenue projections or accounting gimmicks. The sad news, as Governor Schwarzenegger pointed out, is that this budget still relies on borrowing from our future because of the out-of-control auto pilot spending requirements buried in the law. To promote an honest discussion about the impacts of this proposed budget, I want to share with you some observations you will not see in mainstream media.

- Thank you, Californians. The Governor is expecting a 6.8 increase (or \$5.3 billion) in tax revenues in the budget over the current year. That is a pretty good return on anyone's portfolio.
- The budget documents also project that on a net cash basis, the tax amnesty program for 2004-05 will bring in \$211 million. The next year that figure drops to \$52 million, and the following year it actually loses about \$27 million. The highly touted amnesty program will only accelerate revenue that would have come in anyway without the program and will actually cost the state money in two years. Will Controller Steve Westly or author Assemblywoman Judy Chu ever admit that this is a failure?
- Non-Proposition 98 expenditures (that is, state functions except K-14 education) are UP \$1.035 billion from this year's spending compared to the budget year spending.
- Proposition 98 (K-14 education) spending is UP \$2.408 billion from this year to next.
- Given those last two bullet points demonstrating that proposed spending is UP, the discussion you will hear about this budget being full of "cuts" is mired in gross misuse of the English language. In Sacramento, people use the jargon term "cut" when your budget does not increase as much as you would like it to increase. Keep

that in mind as you read the press coverage and watch the interest groups apply pressure. So far I have found only one reporter who admits that state revenues would be going up and none who confessed that state spending is also up. Every story line uses the words like cuts, reductions, or layoffs, which do not paint a realistic picture of the budget plan at all. In case you still do not believe this (and it is difficult given how we have been brainwashed by this jargon over the years), look at this list of percentage increases or decreases by budget area:

Governor's Office -0.5  
Remaining Executive -4.2  
Legislature 4.1  
Judicial 9.3  
State and Consumer Services 5.3  
Business, Transportation and Housing 1.0  
Resources/Environmental Protection 17.3  
Health and Human Services 4.6  
Youth and Adult Correctional 1.2  
Non-Proposition 98 Education 8.6  
STRS Contribution -49.4  
Labor and Workforce Development 0.0  
General Government -41.7  
PROPOSITION 98: 7.1

- As you can see from the list, the programs hit by actual reductions in prior year spending are few and only two, STRS Contribution and General Government, are taking large percentage reductions.
- Another sign of spending changes is the number of employees or personnel years in state government. Here are the budget numbers:  
Personnel Years 2004-5 181,923.1  
Personnel Years 2005-6 184,554.6  
This is a continuing trend, with the current year number of almost 182,000 full-time employee equivalent being higher than the prior year.

### **\*\*\*Nailing Down the Deficit\*\*\***

The state's deficit has been reported at \$8.1 billion and at \$9.1 billion, both down from the \$14 billion figure of the current year. The deficit number is the amount we would be in the red if interest group got the spending plan they wished for. That is, it ticks up based on what auto pilot spending formulas dictate should be spent. The major formulas are the Proposition 98 K-14 formula and the welfare increase formula, but there are dozens of others locked into the law. Thus the deficit is excess spending over incoming revenue with the spending number based on automatic rigid formulas and planned spending increases. You will never see an accurate deficit number because it is literally a wish list of spending, so bear in mind that these figures being tossed around are quite misleading.

### **\*\*\*Eureka!\*\*\***

I am pleased to report that my Ontario office has finally received trashcans. Many thanks to those of you who offered to assist the state in providing me with waste disposal options.

However, the issue of state procurement mistakes is much more serious than the fun I was having in complaining about no trashcans. The tragedy of the murder of a correctional officer this week was compounded by the admission that the state's purchase order of knife-proof safety vests was not completed properly. An officer, husband, and father died at the hands of an inmate when the vest that might have saved his life was stored in a state paid warehouse waiting for the entire order to arrive.

His union, CCPOA, knew about the problem and had actually put the issue of vests into their collective bargaining demands above the usual salary and benefits issues. And the union had filed a grievance with the state seeking to get the authorized vests actually distributed to the officers. This mismanagement cries out for the responsible parties to resign in disgrace.

## **MISCELLANY**

### **\*\*\*Have You Paid Your "Dues"?\*\*\***

Several years ago I began talking with my colleagues and staff about how using particular words and evoking certain imagery could help Republicans better communicate their message and vision to voters. Dr. Frank Luntz was critical in helping GOP leaders at the federal level begin to formulate messages based on how people react to political communications, rather than just on policy research. The Democrats are now attempting a similar transformation at the encouragement of George Lakoff, a U.C. Berkeley professor. If Democrats listen to Lakoff—and folks like Howard Dean already are—you will begin hearing some new terms and I want to prepare you for what you may be hearing and what they really mean. According to the LA Times, some of Lakoff's recommendations include calling taxes “ ‘dues’ or the ‘membership fee’ that citizens pay for the “privilege” of living in America. When Republicans assail money-grubbing trial lawyers, Democrats would counter by pointing out the efforts of ‘public-protection attorneys’ striving to establish ‘poison-free communities.’ The fight over ‘gay marriage’ would be recast with Democrats asking voters, ‘Do you want the government telling you who you can marry?’” If Democrats succeed in reframing issues, Republicans must rise to the challenge of clarifying, correcting and painting new pictures that convey what is really important to Americans.

### **\*\*\*White House Fellows\*\*\***

One of the characteristics of the 1960s was a wide gulf between generations. In an effort to address that gap and seek to cultivate public leaders in a generation that professed little desire to work within the system, President Lyndon B. Johnson announced a non-partisan program to invite exceptional young Americans to Washington for one year to work alongside senior White House staff, the vice president, cabinet secretaries and other top-ranking government officials. President Johnson expected these young people to contribute to the nation as future leaders. If you would like to be one of those remarkable leaders, I encourage you to apply for the White House Fellows program. Applications for the 2005-2006 class must be postmarked by February 1, 2005. For more information, to download an application, or to view an informational film about the White House Fellows Program, please visit our website at <http://www.whitehouse.gov/fellows/>.

## **BOE AND LEGISLATIVE DATES**

**January 20, 2005** --- Presidential Inauguration.

**January 25, 2005** --- BoE meets in Sacramento.

**February 1 – March 31, 2005** --- Application period for tax amnesty.

**February 8, 2005** --- BoE meets in Sacramento.

**February 14, 2005** --- Abraham Lincoln's birthday observed.

**February 21, 2005** --- George Washington's birthday observed.

**March 17, 2005** --- Legislature's spring recess begins.

**March 28, 2005** --- Cesar Chavez Day observed.

## **NOTABLE DATES/ HISTORY**

**January 17, 1773** --- Captain James Cook led the first ship to cross Antarctic Circle (66° 33' S).

**January 17, 1945** ---- The evacuation of Auschwitz concentration camp began.

**January 17, 1946** --- The United Nations Security Council held its first meeting.

**January 17, 1989** --- Gunman opened fire in a Stockton, California schoolyard; 5 students were killed, and 30 were wounded.

**January 17, 1994** --- A 6.6 earthquake hit Los Angeles, killing 60 and causing \$30 billion in damage.

**January 18, 1777** --- San Jose, CA was founded.

**January 19, 1922** --- Geological survey said the U.S. oil supply would be depleted in 20 years.

**January 19, 1955** --- The first presidential news conference filmed for television (Eisenhower).

**January 19, 1970** --- UCLA fired Angela Davis for being a communist.

**January 19, 1984** --- California Supreme Court refused to allow quadriplegic Elizabeth Bouvia to starve herself to death in a public hospital. She appealed and was later granted the right to die.

**January 20, 1872** --- The California Stock Exchange Board was organized.

**January 20, 1981** --- Ronald Reagan was inaugurated as President.

**January 21, 1949** --- The first inaugural parade televised (Harry Truman).

**January 22, 1946** --- The CIA was established.

**January 22, 1973** --- The Supreme Court issued its Roe v Wade decision regarding abortion.

**January 23, 1556** --- The world's most deadly earthquake killed 830,000 in Shansi Province, China.

**January 23, 1849** --- Mrs. Elizabeth Blackwell became the first woman physician in U.S.

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

## **HOW TO CONTACT ME**

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